

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lake Township	County Roscommon
Fiscal Year End 3/31/06	Opinion Date 7/25/06	Date Audit Report Submitted to State 09/06/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 1107 E. 8TH STREET		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

**TOWNSHIP OF LAKE
ROSCOMMON COUNTY, MICHIGAN**

**REPORT ON BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2006

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Lake
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Lake, as of and for the year ended March 31, 2006, which collectively comprise the Townships' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, , each major fund, and the aggregate remaining fund information of the Township of Lake, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of Lake has not presented the Managements Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required to be part of, the basic financial statements.

Township of Lake
July 25, 2006

The required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lake's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
July 25, 2006

TOWNSHIP OF LAKE
STATEMENT OF NET ASSETS
MARCH 31, 2006

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and investments	\$ 511,510	\$ 329,893	\$ 841,403
Receivables:			
Delinquent taxes and assessments	25,010	7,435	32,445
Accounts		64,835	64,835
Due from other governments	15,363		15,363
Due from other funds	926		926
	<hr/>	<hr/>	<hr/>
Total current assets	552,809	402,163	954,972
	<hr/>	<hr/>	<hr/>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	475,826	2,467,324	2,943,150
	<hr/>	<hr/>	<hr/>
	<u>\$ 1,028,635</u>	<u>\$ 2,869,487</u>	<u>\$ 3,898,122</u>
	<hr/>	<hr/>	<hr/>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 11,404	\$ 51,450	\$ 62,854
Accrued expenses	11,139		11,139
Current portion of long term debt	32,374		32,374
	<hr/>	<hr/>	<hr/>
Total current liabilities	54,917	51,450	106,367
	<hr/>	<hr/>	<hr/>
Noncurrent liabilities:			
Noncurrent portion of long-term debt and liabilities	35,434		35,434
	<hr/>	<hr/>	<hr/>
Total liabilities	90,351		141,801
	<hr/>	<hr/>	<hr/>
Net Assets:			
Invested in capital assets, net of related debt	408,018	2,467,324	2,875,342
Unrestricted	530,266	350,713	880,979
	<hr/>	<hr/>	<hr/>
Total Net Assets	938,284	2,818,037	3,756,321
	<hr/>	<hr/>	<hr/>
	<u>\$ 1,028,635</u>	<u>\$ 2,869,487</u>	<u>\$ 3,898,122</u>
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

**TOWNSHIP OF LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
Governmental activities:						
General Government	\$ 225,849	\$ 41,731	\$	\$ 41,795	\$ (142,323)	\$ (225,939)
Public Safety	162,408		3,712		(158,696)	(116,875)
Roads	4,904				(4,904)	(4,904)
Trash collection	83,322				(83,322)	(83,322)
Cemetery	5,124				(5,124)	(5,124)
Other	28,303				(28,303)	(28,303)
	<u>509,910</u>	<u>41,731</u>	<u>3,712</u>	<u>41,795</u>	<u>(422,672)</u>	<u>(464,467)</u>
Business-type activities:						
Sewer	282,128	273,121			9,007	9,007
Total governmental activities	<u>\$ 792,038</u>	<u>\$ 314,852</u>	<u>\$ 3,712</u>	<u>\$ 41,795</u>		<u>(455,460)</u>
General revenues:						
Property taxes, levied for general purposes				409,605		409,605
Unrestricted state aid				95,251		137,046
Interest and investment earnings				12,637	8,997	21,634
Miscellaneous				6,783		6,783
Total General revenues				<u>524,276</u>	<u>8,997</u>	<u>575,068</u>
CHANGES IN NET ASSETS				101,604	18,004	119,608
Net assets – beginning of year				<u>836,680</u>	<u>2,800,033</u>	<u>3,636,713</u>
Net assets – end of year				<u>\$ 938,284</u>	<u>\$ 2,818,037</u>	<u>\$ 3,756,321</u>

See notes to financial statements.

**TOWNSHIP OF LAKE
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006**

	General Fund	Fire Operating Fund	Trash Collection Fund	Fire Equipment Fund	Road Fund	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 262,177	\$ 62,464	\$ 56,544	\$ 14,371	\$ 92,998	\$ 22,956	\$ 511,510
Receivables:							
Delinquent taxes and assessments	5,495	5,270	7,370	2,710	2,791	1,374	25,010
Accounts							
Due from other governments	15,363						15,363
Due from other funds	2,475						2,475
TOTAL ASSETS	<u>\$ 285,510</u>	<u>\$ 67,734</u>	<u>\$ 63,914</u>	<u>\$ 17,081</u>	<u>\$ 95,789</u>	<u>\$ 24,330</u>	<u>\$ 554,358</u>
LIABILITIES & FUND EQUITY							
Liabilities:							
Accounts payable	\$ 3,988	\$ 5,199	\$	\$	\$	\$ 2,217	\$ 11,404
Accrued expenses							
Due to other funds		1,195				354	1,549
TOTAL LIABILITIES	<u>3,988</u>	<u>6,394</u>				<u>2,571</u>	<u>12,953</u>
Fund Equity:							
Fund balance – Undesignated	281,522	61,340	63,914	17,081	95,789	21,759	541,405
TOTAL FUND EQUITY	<u>281,522</u>	<u>61,340</u>	<u>63,914</u>	<u>17,081</u>	<u>95,789</u>	<u>21,759</u>	<u>541,405</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 285,510</u>	<u>\$ 67,734</u>	<u>\$ 63,914</u>	<u>\$ 17,081</u>	<u>\$ 95,789</u>	<u>\$ 24,330</u>	<u>\$ 554,358</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LAKE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 541,405
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	The cost of capital assets is	1,343,308	
	Accumulated depreciation is	<u>(867,482)</u>	475,826

Certain liabilities not recorded in the fund based statements are required to be reported in the Governmental wide financial statements to account for the full accrual - accrued salaries	(11,139)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

	Loans payable	<u>(67,808)</u>	<u>(67,808)</u>
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Total net assets - governmental activities	<u>\$ 938,284</u>
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TOWNSHIP OF LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	General Fund	Fire Operating Fund	Trash Collection Fund	Fire Equipment Fund	Road Fund	Other Governmental Funds	Total
REVENUES:							
Taxes and assessments	\$ 100,344	\$ 96,250	\$ 87,560	\$ 49,442	\$ 50,957	\$ 25,052	\$ 409,605
State grants and revenue	137,046					3,712	140,758
Charges for services	41,731						41,731
Interest	6,745	1,494	1,062	1,022	1,858	456	12,637
Other	500	1,815				4,468	6,783
Total revenues	<u>286,366</u>	<u>99,559</u>	<u>88,622</u>	<u>50,464</u>	<u>52,815</u>	<u>33,688</u>	<u>611,514</u>
EXPENDITURES:							
General Government	248,171						248,171
Public Safety		108,589		71,314		3,998	183,901
Roads					4,904		4,904
Trash collection			83,322				83,322
Cemetery						5,081	5,081
Other						28,303	28,303
Total expenditures	<u>248,171</u>	<u>108,589</u>	<u>83,322</u>	<u>71,314</u>	<u>4,904</u>	<u>37,382</u>	<u>553,682</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>38,195</u>	<u>(9,030)</u>	<u>5,300</u>	<u>(20,850)</u>	<u>47,911</u>	<u>(3,694)</u>	<u>57,832</u>
OTHER FINANCING SOURCES (USES)							
Transfers in						5,349	5,349
Transfers out	<u>(5,349)</u>						<u>(5,349)</u>
Total other financing sources (uses)	<u>(5,349)</u>					<u>5,349</u>	

	General Fund	Fire Operating Fund	Trash Collection Fund	Fire Equipment Fund	Road Fund	Other Governmental Funds	Total
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	32,846	(9,030)	5,300	(20,850)	47,911	1,655	57,832
FUND BALANCE, beginning	248,676	70,370	58,614	37,931	47,878	20,104	483,573
FUND BALANCE, ending	<u>\$ 281,522</u>	<u>\$ 61,340</u>	<u>\$ 63,914</u>	<u>\$ 17,081</u>	<u>\$ 95,789</u>	<u>\$ 21,759</u>	<u>\$ 541,405</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF LAKE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

Total net change in fund balances - governmental funds	\$	57,832
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(65,204)	
Capital outlays	<u>82,072</u>	16,868

Repayment of bond principal is an expenditure in the governmental funds, but

It reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

31,349

Certain expenses not recorded in the fund based statements are required to be reported in the Governmental wide financial statements to account for the full accrual - accrued salaries

(4,445)

Change in net assets of governmental activities.

\$ 101,604

**TOWNSHIP OF LAKE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MARCH 31, 2006**

	<u>Sewer Fund</u>
ASSETS	
Cash and investments	\$ 329,893
Receivables:	
Delinquent taxes and assessments	7,435
Accounts	64,835
Capital assets, net of accumulated depreciation	<u>2,467,324</u>
 TOTAL ASSETS	 <u><u>\$ 2,869,487</u></u>
LIABILITIES & NET ASSETS	
Liabilities:	
Accounts payable	<u>\$ 51,450</u>
Net assets:	
Invested in capital assets	2,467,324
Unrestricted	<u>350,713</u>
 TOTAL NET ASSETS	 <u><u>2,818,037</u></u>
 TOTAL LIABILITIES & NET ASSETS	 <u><u>\$ 2,869,487</u></u>

TOWNSHIP OF LAKE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2006

	<u>Sewer Fund</u>
OPERATING REVENUES:	
Usage fees	<u>\$ 282,128</u>
OPERATING EXPENSES:	
Houghton lake sewer authority shared expense	216,451
Depreciation	<u>56,670</u>
TOTAL OPERATING EXPENSE	<u>273,121</u>
Operating Income	<u>9,007</u>
Non-operating revenue (expense):	
Interest income	<u>8,997</u>
Non-operating (expense) – net	<u>8,997</u>
Change in Net Assets	18,004
NET ASSETS – beginning of year	<u>2,800,033</u>
NET ASSETS – end of year	<u><u>\$ 2,818,037</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2006**

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Operating Income	<u>\$ 9,007</u>
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	56,670
Decrease in receivables	(930)
Decrease in accounts payable	<u>(8,373)</u>
Total adjustments to net income	<u>47,367</u>
Net cash provided by operating activities	<u>56,374</u>
Cash flows from investing activities:	
Interest earned	<u>8,997</u>
NET INCREASE IN CASH	65,371
CASH - beginning of year	<u>264,522</u>
CASH - ending of year	<u><u>\$ 329,893</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LAKE
STATEMENT OF CHANGES IN ASSETS AND LIABILITES
FIDUCIARY FUND
YEAR ENDED MARCH 31, 2006

	Balance April 1	Additions	Deductions	Balance March 31
ASSETS				
Cash	\$ 1,380	\$ 3,419,844	\$ 3,420,298	\$ 926
LIABILITIES				
Due to other funds	\$ 1,380	\$ 420,871	\$ 421,325	\$ 926
Due to other governments		2,998,973	2,998,973	
Total liabilities	\$ 1,380	\$ 3,419,844	\$ 3,420,298	\$ 926

TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity

The Township of Lake is a general law township of State of Michigan, organized in 1879, located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Township of Lake.

Included in the Township of Lake's financial statements are the Township's portion of the activities of the Houghton Lake Sewer Authority, Houghton Lake Building Agency, and Houghton Lake ambulance Service. The Houghton Lake Sewer Authority maintains and operates a sewage system for a tri-township area. The authority is audited and submitted under separate cover. The Houghton Lake Building Agency issues building, mechanical, plumbing and electrical permits and does inspections of the same. The Sewer Authority's activities are recorded in the sewer fund. The Building Agency's activities are recorded in the general fund. See Note 5 for additional information concerning the Houghton Lake Sewer Authority.

B. Accounting policies

The accounting policies of the Township of Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies by the Township.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Accounting policies - continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *fire operating fund* accounts for the general operations of the fire department.

The *trash collection fund* accounts for the trash collection program in the Township.

The *fire equipment fund* accounts for the funds used to purchase equipment for the fire department.

The *road fund* accounts for repairs and maintenance for the townships roads.

The government reports the following major proprietary funds:

The *Sewer fund* accounts for the revenue and expenses of operating the Township's sewer collection system.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for tax collection function that is maintained by the County Treasurer.

**TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Accounting policies - continued

Measurement Focus, Basis of Accounting and Basis of Presentation - continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has not elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the governments enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

Each year the Township formulates and adopts a budget as follows:

1. In January or February a preliminary budget is prepared for all funds.
2. A review and an annual budget hearing is held in March.
3. The budget is adopted at a Township board meeting in March or April of each year.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on a fund level using the modified accrual basis. Budgets as adopted end on March 31, of each year. There are no carryover budget items. The budget as reported in these financial statements have been amended.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
Fire Operating – Public Safety	\$ 102,574	\$ 108,589	\$ 6,015
Trash Collection	80,129	83,322	3,193
Fire Equipment	34,526	71,314	36,788

TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and investments

The Township reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Fixed Assets and Long-Term Liabilities

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated fixed assets are stated at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment of a funds is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets, traffic signals and signs will be capitalized on a prospective basis. The valuation basis for the general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Proprietary fund fixed assets are recorded in the respective funds and depreciated using the straight-line method.

Estimated useful lives, in years, for depreciable assets are as follows:

Sewer	25 – 50
Furniture, fixtures, & equipment	5 – 40
Buildings	45
Vehicles	10

**TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 15, with the final collection date of February 28, before they are added to the county delinquent tax rolls. All taxes levied on December 1, 2004, are recorded as revenue in the current year. Unpaid taxes are recorded as receivables of the respective fund. A county revolving fund normally pays the delinquent taxes in late April or early May of each year.

The accrual basis of accounting is used by proprietary funds. The modified accrual basis of accounting is used by all governmental funds and agency funds. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred. Modifications from the accrual basis are as follows:

- a) Property tax revenues are recognized as follows:

The tax rates for the year ended March 31, 2006 were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	.9590
Fire Operating	.9198
Fire Equipment	.4730
Roads	.4871
Street lights	.2397

- b) Interest on bonded indebtedness and other long-term debt of governmental funds is not recorded as an expenditure until its due date.
- c) Normally, expenditures are not divided between years by the recording of prepaid expenses.
- d) Payments for types of supplies that are inventory are recorded as expenditures at the time of purchase.

TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended March 31, 2006 were as follows:

Primary Government	<u>Balance 3/31/05</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Balance 3/31/06</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	<u>\$ 15,938</u>	<u>\$</u>	<u>\$</u>	<u>\$ 15,938</u>
Total capital assets not being depreciated	<u>15,938</u>			<u>15,938</u>
Capital assets, being depreciated				
Buildings	358,940			358,940
Fire department	440,491	82,072		522,563
Equipment	44,353			44,353
Vehicles	404,150		4,500	399,650
Cemetery	<u>1,864</u>			<u>1,864</u>
Total capital assets being depreciated	<u>1,249,798</u>	<u>82,072</u>	<u>4,500</u>	<u>1,327,370</u>
Less accumulated depreciation for:				
Buildings	225,266	11,076		236,342
Fire department	273,693	33,163		306,856
Equipment	35,832	3,978		39,810
Vehicles	270,320	16,944	4,500	282,764
Cemetery	<u>1,667</u>	<u>43</u>		<u>1,710</u>
Total accumulated depreciation	<u>806,778</u>	<u>65,204</u>	<u>4,500</u>	<u>867,482</u>
Total capital assets, being depreciated, net	<u>443,020</u>	<u>16,868</u>		<u>459,888</u>
Governmental activities capital assets, net	<u>\$ 458,958</u>	<u>\$ 16,868</u>	<u>\$</u>	<u>\$ 475,826</u>
	<u>Balance 3/31/05</u>	<u>Increases/ Transfers</u>	<u>Decreases/ Transfers</u>	<u>Balance 3/31/06</u>
Business-type activities:				
Capital assets, being depreciated				
Sewer system	<u>\$ 4,250,253</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,250,253</u>
Less accumulated depreciation for:				
Sewer system	<u>1,726,259</u>	<u>56,670</u>		<u>1,782,929</u>
Business-type activities capital assets, net	<u>\$ 5,976,512</u>	<u>\$ 56,670</u>	<u>\$</u>	<u>\$ 2,467,324</u>

**TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2: DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS - continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 15,054
Public Safety	50,107
Cemetery	<u>43</u>
Total depreciation expense – governmental activities	<u>\$ 65,204</u>
Business-type activities:	
Sewer system	<u>\$ 56,670</u>

NOTE 3: PENSION PLAN

Pursuant to Act 27 of P.A. 1960 as amended, the Township of Lake adopted a defined contribution pension plan effective April 20, 1977. The name of the plan is the Township of Lake Defined Contribution Pension Plan for Governmental Employees. The plan covers all salaried and full-time hourly rated employees who work at least 1800 hours a year.

The Plan was last amended January 1, 1993, to comply with I.R.S. regulations. The Township contributes annually based on compensation paid over the fiscal year ending March 31. Contributions are computed as follows:

Board Members	15% of compensation
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Employees may also make voluntary contributions up to I.R.S. Code Section 415 limits. The Township's contributions were \$9,200. Employee eligibility begins on the date of employment. All participants are vested 100%. Normal requirements is age 65 or upon completion of 10 years of service whichever is later. Early retirement is permitted as of age 55.

NOTE 4: HOUGHTON LAKE SEWER AUTHORITY

The Townships of Roscommon, Denton and Lake (Roscommon County) formed the Houghton Lake Sewer Authority in 1973 for the purpose of operating, maintaining, administering and managing a sanitary sewage facility for the benefit of the aforementioned three townships and for any other township municipality which hereafter joins in and becomes a part of such sewer and the related agreement all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

Ownership of the public sanitary sewer system will remain with the Roscommon County Department of Public Works until all outstanding bonds issued by said department of the County of Roscommon (pertaining to the system) have been retired. Thereafter, all portions of the system shall become the property of the respective municipalities. The system is to be operated for the benefit of said participating municipalities both jointly and severally.

TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2006:

	<u># OF ISSUES</u>	<u>INTEREST RATE</u>	<u>MATURITY YEAR</u>	<u>PRINCIPAL OUTSTANDING</u>
Note payable - Fire Truck	N/A	6.27	2008	\$ 67,808

The annual principal requirements for the years ending March 31, 2006 through 2008 for all debts outstanding as of March 31, 2006, are as follows:

	<u>2007</u>	<u>2008</u>
Fire Truck	\$ 32,374	\$ 33,434

The schedule of changes in long-term debt is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental Activities:					
Note payable	<u>\$ 99,157</u>	<u>\$</u>	<u>\$ 31,349</u>	<u>\$ 67,808</u>	<u>\$ 32,374</u>

Total interest expense for the Township for the year approximated \$3,177.

TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: CASH ACCOUNTS

The Township of Lake uses a common banking account to pool cash funds and enhance investment earnings. The various funds equity at March 31, 2006, are as follows:

	<u>Common Checking</u>
General Fund	\$ 262,177
Trash Collection Fund	56,544
Fire Operating Fund	62,464
Street light fund	21,059
Cemetery Fund	258
Liquor	22
Road	92,999
Fire Equipment Fund	<u>14,371</u>
 TOTAL COMBINED CASH	 \$ <u><u>509,894</u></u>

At year-end, the carrying amount of the Township's deposits were \$842,329 and the bank balance was \$844,122 of which \$222,479 was covered by federal depository insurance and \$621,643 was uninsured and uncollateralized.

Interfund borrowings are common and normally short term in nature. The investments are cashed if necessary to eliminate negative balances.

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Township places no limit on the amount the district may invest in any one issuer.

TOWNSHIP OF LAKE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: INSURANCE COVERAGE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses including health and accident insurance.

NOTE 8: ENTERPRISE FUND

The Township has only one enterprise fund, the sewer fund. Consequently, combining financial statements and segment information are not presented.

NOTE 9: DUE TO/FROM OTHER FUNDS

Amounts due to and from other funds at March 31, 2006 are as follows:

Receivable fund	Payable fund	Amount
General Fund	Fire Operating Fund	\$ 1,195
General Fund	Liquor Fund	198
General Fund	Cemetery Fund	156
General Fund	Trust and Agency Fund	926
		<u>\$ 2,475</u>

Operating transfers during the year were as follows:

Transfer Out	Transfer In	Amount
General Fund	Street Lighting	\$ 3,349
General Fund	Cemetery	2,000
		<u>\$ 5,349</u>

NOTE 10: ACCUMULATED RETAINED EARNINGS (DEFICIT) AND FUND DEFICIT

As of March 31, 2006, the Township has accumulated a deficit fund balance in the Liquor Fund of \$176.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF LAKE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED MARCH 31, 2006**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Taxes and assessments	\$ 113,120	\$ 113,120	\$ 100,344	\$ (12,776)
State grants and revenue	91,140	91,140	137,046	45,906
Charges for services	26,234	26,234	41,731	15,497
Interest	1,299	1,299	6,745	5,446
Other	2,500	2,500	500	(2,000)
Total revenues	234,293	234,293	286,366	52,073
EXPENDITURES:				
Township board	72,820	121,572	125,212	(3,640)
Supervisor	21,160	21,448	20,831	617
Elections	2,000	2,703	2,343	360
Treasurer	22,420	22,420	20,330	2,090
Summer tax collection	3,750	4,789	4,789	
Assessor	27,460	28,740	30,431	(1,691)
Board of review	1,150	1,150	1,291	(141)
Clerk	24,140	23,937	22,786	1,151
Township hall	8,250	8,575	6,425	2,150
Land use	7,100	7,421	6,689	732
Zoning	5,800	8,242	7,044	1,198
Total expenditures	196,050	250,997	248,171	2,826
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38,243	(16,704)	38,195	54,899
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out		(2,000)	(5,349)	(3,349)
Total other financing sources (uses)		(2,000)	(5,349)	(3,349)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 38,243	\$ (18,704)	32,846	51,550
FUND BALANCE, beginning			248,676	
FUND BALANCE, ending			\$ 281,522	

**TOWNSHIP OF LAKE
FIRE OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED MARCH 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes and assessments	\$ 95,573	\$ 95,573	\$ 96,250	\$ 677
Interest			1,494	1,494
Other			1,815	1,815
Total revenues	<u>95,573</u>	<u>95,573</u>	<u>99,559</u>	<u>3,986</u>
EXPENDITURES:				
Insurance	18,000	19,262	18,932	330
Operating supplies	4,050	3,095	3,053	42
Electric	1,800	1,566	1,469	97
Wages	41,500	46,979	47,104	(125)
Payroll taxes		48	1,575	(1,527)
Miscellaneous	14,068	15,790	17,230	(1,440)
Mileage	2,000	2,502	2,707	(205)
Repairs & maintenance	11,500	11,398	11,672	(274)
Telephone	1,000	1,034	1,119	(85)
Gasoline	<u>1,500</u>	<u>900</u>	<u>3,728</u>	<u>(2,828)</u>
Total expenditures	<u>95,418</u>	<u>102,574</u>	<u>108,589</u>	<u>(6,015)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 155</u>	<u>\$ (7,001)</u>	(9,030)	<u>\$ (2,029)</u>
FUND BALANCE, beginning			<u>70,370</u>	
FUND BALANCE, ending			<u>\$ 61,340</u>	

**TOWNSHIP OF LAKE
TRASH COLLECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED MARCH 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes and assessments	\$ 80,000	\$ 80,000	\$ 87,560	\$ 7,560
Interest	<u>250</u>	<u>250</u>	<u>1,062</u>	<u>812</u>
Total revenues	<u>80,250</u>	<u>80,250</u>	<u>88,622</u>	<u>8,372</u>
EXPENDITURES:				
Contractual	78,000	78,000	82,038	(4,038)
Insurance		29	29	
Landfill charges	1,200	1,200	1,200	
Miscellaneous	<u>900</u>	<u>900</u>	<u>55</u>	<u>845</u>
Total expenditures	<u>80,100</u>	<u>80,129</u>	<u>83,322</u>	<u>(3,193)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 150</u>	<u>\$ 121</u>	5,300	<u>\$ 5,179</u>
FUND BALANCE, beginning			<u>58,614</u>	
FUND BALANCE, ending			<u>\$ 63,914</u>	

**TOWNSHIP OF LAKE
FIRE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED MARCH 31, 2006**

	<u>Budgeted Amount</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes and assessments	\$ 48,896	\$ 48,896	\$ 49,442	546
Interest	200	200	1,022	822
Other				
	<u>49,096</u>	<u>49,096</u>	<u>50,464</u>	<u>1,368</u>
Total revenues				
EXPENDITURES:				
Capital outlay	34,526	34,526	36,788	(2,262)
Debt service principal			31,349	(31,349)
Debt service interest			3,177	(3,177)
	<u>34,526</u>	<u>34,526</u>	<u>71,314</u>	<u>(36,788)</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 14,570</u>	<u>\$ 14,570</u>	(20,850)	<u>\$ 35,420</u>
FUND BALANCE, beginning			<u>37,931</u>	
FUND BALANCE, ending			<u>\$ 17,081</u>	

**TOWNSHIP OF LAKE
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED MARCH 31, 2006**

	<u>Budgeted Amount</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes and assessments	\$ 50,346	\$ 50,346	\$ 50,957	\$ 611
Interest			1,858	1,858
Total revenues	<u>50,346</u>	<u>50,346</u>	<u>52,815</u>	<u>2,469</u>
EXPENDITURES:				
Contractual		4,867	4,867	
Operating supplies		37	37	
Total expenditures		<u>4,904</u>	<u>4,904</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 50,346</u>	<u>\$ 45,442</u>	47,911	<u>\$ 2,469</u>
FUND BALANCE, beginning			<u>47,878</u>	
FUND BALANCE, ending			<u>\$ 95,789</u>	

ADDITIONAL INFORMATION

**TOWNSHIP OF LAKE
GENERAL FUND
STATEMENT OF REVENUES COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Current taxes	\$ 113,120	\$ 100,344	\$ (12,776)
Intergovernmental:			
State shared revenues	89,790	93,902	4,112
State equipment grant		41,795	41,795
Swamp tax	1,350	1,349	(1)
Total Intergovernmental	91,140	137,046	45,906
Charges for services:			
Summer tax collection	5,500	5,501	1
Other	20,734	36,230	15,496
Total Charges for Services	26,234	41,731	15,497
Interest	1,299	6,745	5,446
Miscellaneous	2,500	500	(2,000)
 TOTAL REVENUE	 <u>\$ 234,293</u>	 <u>\$ 286,366</u>	 <u>\$ 52,073</u>

**TOWNSHIP OF LAKE
GENERAL FUND
STATEMENT OF EXPENDITURES -
BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT			
TOWNSHIP BOARD:			
Salaries	\$ 8,320	\$ 8,320	\$
Payroll taxes		3,470	(3,470)
Office supplies	605	605	
Operating supplies	266	266	
Mileage	200	108	92
Contractual	4,720	500	4,220
Legal	5,569	3,159	2,410
Audit	5,370	5,370	
Other professional fees	3,634	3,739	(105)
Printing and publishing	1,652	1,926	(274)
Retirement Insurance	9,200	9,200	
Insurance	30,470	39,521	(9,051)
Equipment	42,000	41,821	179
Miscellaneous	9,566	7,207	2,538
	<u>121,572</u>	<u>125,212</u>	<u>(3,640)</u>
Total Township Board			
SUPERVISOR:			
Salary – Supervisor	17,160	17,160	
Salary – Deputy	2,400	2,400	
Supplies	300	207	93
Mileage	600	496	104
Miscellaneous	988	568	420
	<u>21,448</u>	<u>20,831</u>	<u>617</u>
Total Supervisor			
ELECTIONS:			
Wages – Election	900	662	238
Supplies and other	1,803	1,681	122
	<u>2,703</u>	<u>2,343</u>	<u>360</u>
Total Elections			
TREASURER:			
Salary – Treasurer	16,120	16,120	
Salary – Deputy	2,400	2,400	
Supplies	3,000	1,367	1,633
Mileage	329	443	(114)
Miscellaneous	571		571
	<u>22,420</u>	<u>20,330</u>	<u>2,090</u>
Total Treasurer			

**TOWNSHIP OF LAKE
GENERAL FUND
STATEMENT OF EXPENDITURES -
BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
SUMMER TAX COLLECTION:			
Wages	3,200	3,200	
Supplies and other	<u>1,589</u>	<u>1,589</u>	
Total Summer Tax Collection	<u>4,789</u>	<u>4,789</u>	
ASSESSOR:			
Office Supplies	3,030	2,111	919
Contractual Wages	24,500	27,576	(3,076)
Mileage	300	244	56
Equipment	<u>910</u>	<u>500</u>	<u>410</u>
Total Assessor	<u>28,740</u>	<u>30,431</u>	<u>(1,691)</u>
BOARD OF REVIEW:			
Supplies and other	150	91	59
Contractual	<u>1,000</u>	<u>1,200</u>	<u>(200)</u>
Total Board of Review	<u>1,150</u>	<u>1,291</u>	<u>(141)</u>
CLERK:			
Salary – Clerk	16,640	16,640	
Salary – Deputy	2,400	2,400	
Supplies and other	3,306	2,010	1,296
Mileage	991	1,163	(172)
Telephone	<u>600</u>	<u>573</u>	<u>27</u>
Total Clerk	<u>23,937</u>	<u>22,786</u>	<u>1,151</u>
TOWNSHIP HALL:			
Wages	2,100	2,100	
Contractual	1,200	850	350
Operating supplies	500	361	139
Repairs and maintenance	1,000		1,000
Mileage	213	184	29
Telephone	600	633	(33)
Heat	1,812	1,812	
Electricity	500	485	15
Equipment	<u>650</u>	<u>650</u>	<u>650</u>
Total Township Hall	<u>8,575</u>	<u>6,425</u>	<u>2,150</u>

**TOWNSHIP OF LAKE
GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
LAND USE:			
Supplies	201	201	
Wages	6,000	5,500	500
Mileage	406	70	336
Miscellaneous	814	918	(104)
	<u>7,421</u>	<u>6,689</u>	<u>732</u>
Total Land Use			
ZONING:			
Supplies	500	301	199
Wages	1,000	952	48
Contractual	4,942	5,186	(244)
Mileage	313	285	28
Printing	1,100	290	810
Miscellaneous	387	30	357
	<u>8,242</u>	<u>7,044</u>	<u>1,198</u>
Total Zoning			
OTHER FINANCING USES:			
Transfer to Street Lights		3,349	(3,349)
Transfer to Cemetery	2,000	2,000	
	<u>2,000</u>	<u>5,349</u>	<u>(3,349)</u>
Total Other Uses			
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 252,997</u>	<u>\$ 253,520</u>	<u>\$ (523)</u>

**TOWNSHIP OF LAKE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006**

	Special Revenue Funds				
	Street Lighting	Liquor	Cemetery	Fire Raised	Total
ASSETS					
Cash	\$ 21,059	\$ 22	\$ 258	\$ 1,617	\$ 22,956
Delinquent taxes and assessments	<u>1,374</u>				<u>1,374</u>
TOTAL ASSETS	<u><u>\$ 22,433</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ 258</u></u>	<u><u>\$ 1,617</u></u>	<u><u>\$ 24,330</u></u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 2,141	\$	\$ 76	\$	\$ 2,217
Due to other funds		<u>198</u>	<u>156</u>		<u>354</u>
	<u>2,141</u>	<u>198</u>	<u>232</u>		<u>2,571</u>
Fund Balance	<u>20,292</u>	<u>(176)</u>	<u>26</u>	<u>1,617</u>	<u>21,759</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 22,433</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ 258</u></u>	<u><u>\$ 1,617</u></u>	<u><u>\$ 24,330</u></u>

**TOWNSHIP OF LAKE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006**

	Special Revenue Funds				
	Street Lighting	Liquor	Cemetery	Fire Raised	Total
REVENUES					
Taxes and assessments	\$ 25,052	\$	\$	\$	\$ 25,052
State grants		3,712			3,712
Charges for services					
Interest	397		45	14	456
Other			795	3,673	4,468
TOTAL REVENUES	25,449	3,712	840	3,687	33,688
EXPENDITURES					
Capital outlay			2,810		2,810
Insurance			84		84
Operating supplies			88		88
Electric	24,613		87		24,700
Wages		3,428	900		4,328
Payroll taxes		262	238		500
Miscellaneous			557		557
Mileage			54		54
Repairs & maintenance			55	3,998	4,053
Gasoline			208		208
TOTAL EXPENDITURES	24,613	3,690	5,081	3,998	37,382
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	836	22	(4,241)	(311)	(3,694)
OTHER FINANCING SOURCES (USES)					
Transfers In	3,349		2,000		5,349
TOTAL OTHER FINANCING SOURCES (USES)	3,349		2,000		5,349
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES	4,185	22	(2,241)	(311)	1,655
FUND BALANCE - beginning	16,107	(198)	2,267	1,928	20,104
FUND BALANCE - ending	\$ 20,292	\$ (176)	\$ 26	\$ 1,617	\$ 21,759



July 25, 2006

To the Township Board
Lake Township

In planning and performing our audit of the financial statements of Lake Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Lake Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

Budgeting

The Township is required per Public Act 621 of 1978, amendment of Public Act 2 of 1968, to budget the expenditures of each general and special revenue fund of the governments operations. The budget is allowed to be amended during the year for variances that occur. The Township expended more than the budgeted amount in most major expenditure categories for the general and special revenue funds during the year ended March 31, 2006. The Township did make an effort to amend the budget during the year, but needs to make more of an effort to comply with the Budgeting Act for all funds. It was brought to our attention that the board is not reviewing budget to actual comparison schedules timely during the year. This needs to be done quarterly, at a minimum.

Journal entry register

There is no register of general journal entries made. For the purpose of our audit we had to track both sides of the entry to determine the purpose of the entry. In the future, a register describing the rational for the entry must be kept.

Investment Policy

Governmental Accounting Standards Board has issued Statement #40, *Deposit and Investment Risk Disclosures*, which was effective for the March 31, 2006 annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk.

Although GASB 40 does not specifically require an Investment Policy, governmental units will certainly want to consider adopting an updated policy. You will need to disclose in your annual audit footnotes:

- the government's investment policy for any specific type of risk to which the district is exposed, or
- the fact that your district has no investment policy that addresses the specific type of risk to which the district is exposed.

The Township is generally conservative minded when investing its excess deposits, but a policy which defines that risk level of the district will protect its investments.

This report is intended solely for the information and use of the Township Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants